

LINDA LINGLE  
GOVERNOR



STATE OF HAWAII  
DEPARTMENT OF TRANSPORTATION  
869 PUNCHBOWL STREET  
HONOLULU, HAWAII 96813-5097

BRENNON T. MORIOKA  
INTERIM DIRECTOR

Deputy Directors  
MICHAEL D. FORMBY  
FRANCIS PAUL KEENO  
BRIAN H. SEKIGUCHI

IN REPLY REFER TO:

Board of Land and  
Natural Resources  
State of Hawaii  
Honolulu, Hawaii

AMENDMENT NO. 2 TO STATE LEASE NO. DOT-A-78-0009  
EXTENSION OF ORIGINAL LEASE TERM  
HAWAII ISLAND AIR, INC.  
HONOLULU INTERNATIONAL AIRPORT

OAHU

APPLICANT:

Hawaii Island Air, Inc. whose business and mailing address is 99 Kapalulu Place, Honolulu,  
Hawaii 96819-1843 as Lessee.

LEGAL REFERENCE:

Chapter 171-36 (b) (3), Hawaii Revised Statutes, as amended.

LOCATION:

99 Kapalulu Place, Honolulu, Hawaii 96819-1843, Honolulu International Airport, Tax Map  
Key: (1) 1-1-72: 25

PREMISES:

Area/Space No. 009-107A, containing a land area of approximately 59,452 square feet as  
delineated on the attached Exhibit A1

ZONING:

State: Urban  
County: Industrial (I-2)

ITEM M-2

LAND TITLE STATUS:

Section 5(a) - lands of the Hawaii Admission Act (non-ceded)

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: YES\_\_ NO X

CHARACTER OF USE:

Fixed-Base Facilities to maintain and operate a commercial airlines business.

TERM OF LEASE:

Original - Thirty (30) years. Original Lease commenced on May 1, 1978, and terminates on April 30, 2008

Amended term – Fifty-five (55) years starting from May 1, 1978 (the commencement date of the Original Lease), and terminates on April 30, 2033

ANNUAL RENTAL:

Original - \$100,472.20 per annum

Amended Rental –

For the Period May 1, 2008 through April 30, 2013 (Lease Years 31 through 35):  
\$123,660.16 per annum, payable in quarterly installments of \$30,915.04, in advance, based upon present ground lease rental rate of \$2.08 per square foot per annum for improved/paved general aviation land at Honolulu International Airport

For the Period May 1, 2013 through April 30, 2018 (Lease Years 36 through 40):  
\$142,209.20 per annum, payable in quarterly installments of \$35,552.30, in advance, based upon the product of the annual rental for the fifth (35<sup>th</sup>) year of the lease term (\$123,660.16) and 115%.

For the period May 1, 2023 through April 30, 2028 (Lease Years 46 through 50): An annual rental of 115% times the annual rental for the last year of the immediately preceding five-year period (15<sup>th</sup> year) of the lease term.

RE-OPENING OF ANNUAL GROUND LEASE RENTAL:

Original – No re-openings remaining

Amended – For the lease periods May 1, 2018 through April 30, 2023 (Lease Years 41 through 45), and May 1, 2028 through April 30, 2033 (Lease Years 51 through 55), the fair market annual ground lease rental shall be determined separately when due at the time of reopening, in accordance with the provisions of Section 171-17, Hawaii Revised Statutes, relating to Appraisals, by an independent real estate appraiser whose services shall be contracted for and paid by the Department of Transportation; provided however, that the land rental for each year shall be no less than a rental of 115% times the annual rental for the last year of the immediately preceding five-year period.

COMMENCEMENT DATE:

May 1, 2008

CHAPTER 343, HRS - ENVIRONMENTAL ASSESSMENT:

Pursuant to Section 11-200-8(a), Environmental Impact Statement Rules of the Department of Health, State of Hawaii, this disposition is exempt from requirements regarding preparation of an environmental assessment, negative declaration, or environmental impact statement as required by Chapter 343, Hawaii Revised Statutes, as amended, relating to Environmental Impact Statements, because the proposed action falls within Exemption Class #1, Comprehensive Exemption List for the State of Hawaii, Department of Transportation dated November 14, 1990, as approved by the Environmental Quality Council. Exemption Class #1 covers operations, repairs, or maintenance of existing structures, facilities, equipment, or topographical features involving negligible or no expansion or change of use beyond that previously existing.

REMARKS:

By way of a Consent to Assignment of Lease dated December 13, 1989, by and between Air Molokai, Inc., as "Assignor" and Aloha Islandair, Inc., as "Assignee", the Department of Transportation, Airports Division (DOTA) and Aloha Islandair, Inc. entered into State Lease No. DOT-A-78-0009 dated March 2, 1978, to develop, construct, operate and maintain a fixed base facility at Honolulu International Airport. On April 12, 2004, Aloha Islandair, Inc. changed its corporate name to Hawaii Island Air, Inc. (Lessee). Under Chapter 171-36 (b) (3), Hawaii Revised Statutes, as amended, the Lessee is requesting an extension of 25 years beyond its original lease term to amortize the cost of substantial improvements that it plans to finance and make to the demised premises. The Lessee would qualify for the extension of 25 years provided that it meets the following conditions:

1. The demised premises have been used substantially for the purpose for which they were originally leased;

2. The aggregate of the initial term and any extension granted shall not be more than 55 years;
3. In the event of a reopening, the rental for any ensuing period shall be the fair market rental at the time of reopening;
4. Any federal or private lending institution shall be qualified to do business in the State;
5. Proceeds of any mortgage or loan shall be used solely for the operations or improvements on the demised premises;
6. Where improvements are financed by the lessee, the lessee shall submit receipts of expenditures within a time period specified by the Board, otherwise the Lease extension shall be canceled; and
7. The rules of the Board, setting forth any additional terms and conditions, which shall ensure and promote the purposes of the demised lands.

The DOTA, in the public interest, has no objection to the Lessee's request.

RECOMMENDATION:

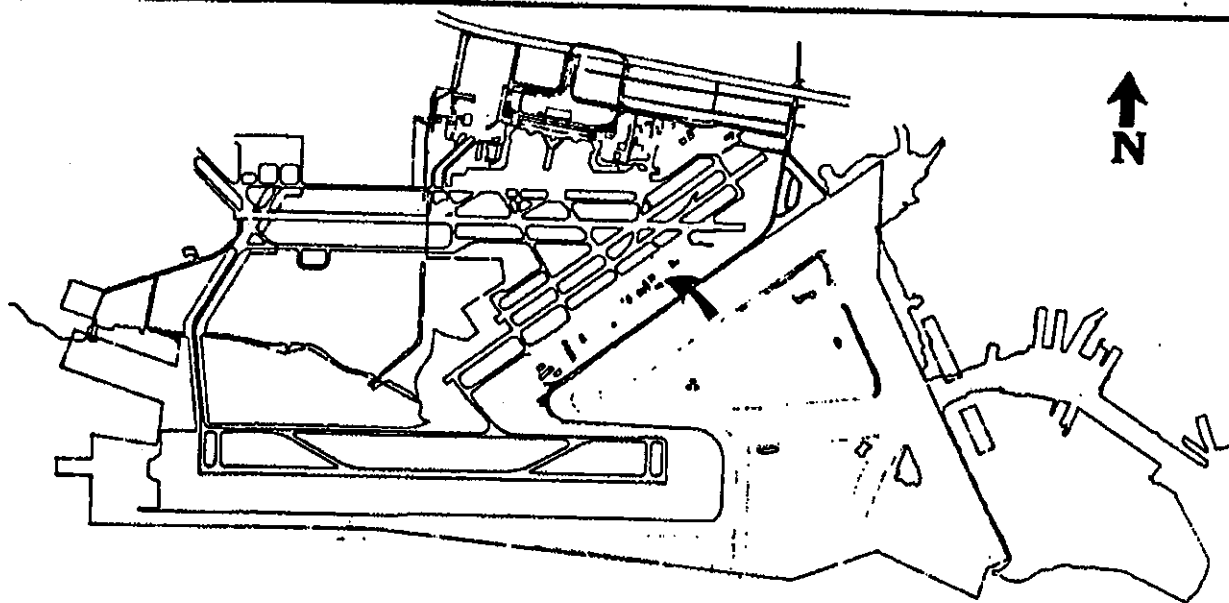
That the Board authorizes the DOTA to amend State Lease No. DOT-A-78-0009 to allow the DOTA to extend the original term of the existing lease for an additional 25 years subject to: (1) terms and conditions herein outlined, which are by reference incorporated herein; (2) such other terms and conditions as may be prescribed by the Director of Transportation to best serve the interests of the State; and (3) review and approval of the Department of the Attorney General as to the amendment of lease form and content.

Respectfully submitted,

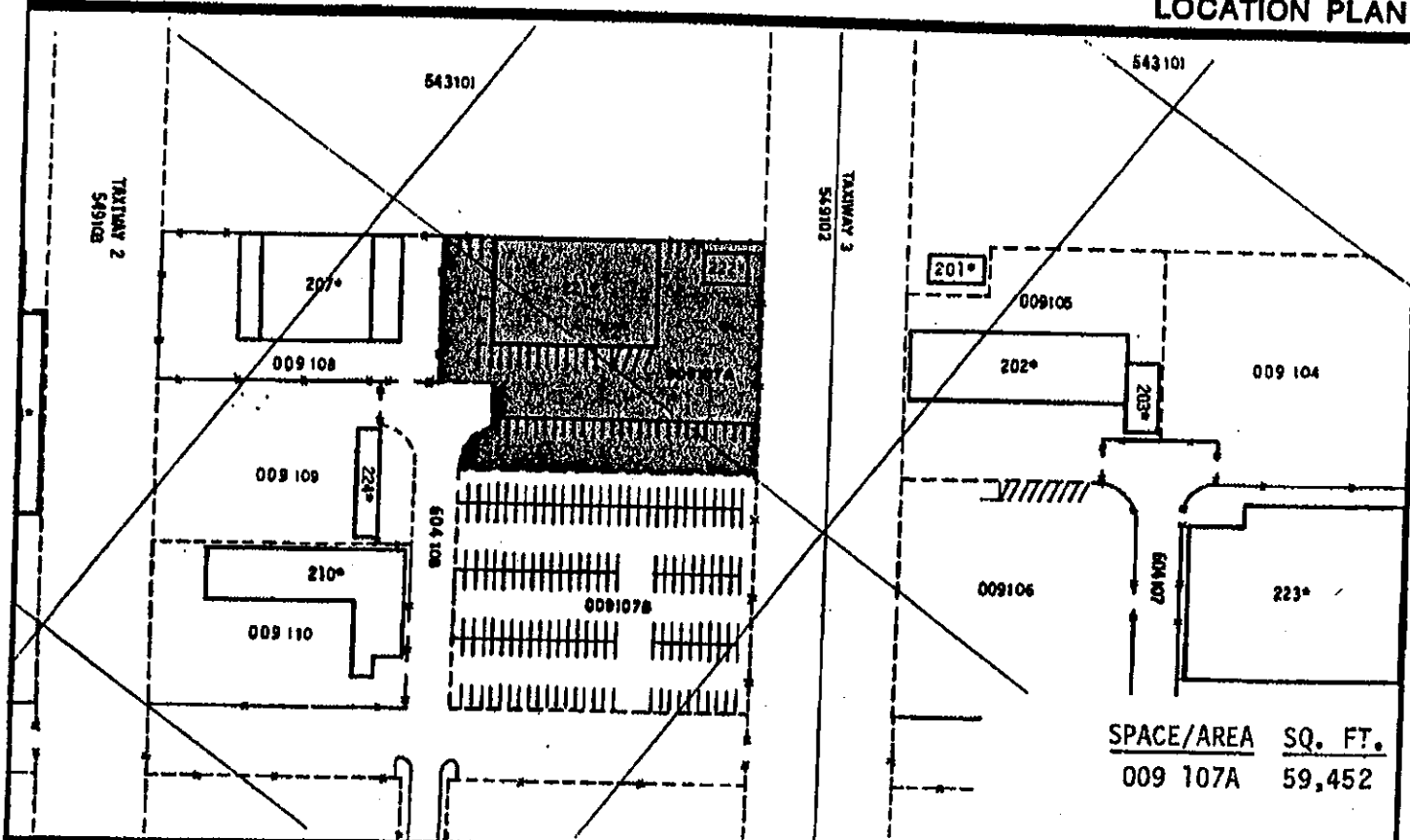
*Francis Paul Keeno*  
for BRENNON T. MORIOKA  
Interim Director of Transportation

APPROVED FOR SUBMITTAL

  
LAURA H. THIELEN  
Chairperson



LOCATION PLAN



DOT-A-78-0009

DATE October 1, 1987 EXHIBIT. **A1**



**Airports Division**  
DEPARTMENT OF TRANSPORTATION  
STATE OF HAWAII

HAWAII ISLAND  
AIR, INC.

**SOUTH RAMP  
FIXED-BASED OPERATORS  
SUBDIVISION**

**009 107A  
PLAT 36**

**HONOLULU INTERNATIONAL AIRPORT**